BUSINESS STUDIES

SIMPLIFIED NOTES

FOR BEGINNERS

Form One

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BRIEF CONTENTS

INTRODUCTION TO BUSINESS STUDIES…….3

ENTREPRENEURSHIP…….18

SOLE PROPRIETORSHIP……34

TOPIC ONE: INTRODUCTION TO BUSINESS STUDIES

What Is Business?

Business is any legal activity that involves **producing, buying, or selling goods and services** to satisfy people's needs and wants, usually to **earn a profit** (money).

Examples:

- Selling **fresh fruits** at a roadside stall (small business).
- A **supermarket** selling groceries (large business).
- A **barber cutting hair** for a fee (service business).
- A **mobile-phone repair shop** earning money by fixing phones.

Business Processes

These are the main steps or activities in business that help it work well:

a) Production

Turning raw materials into finished goods.

➞ Example: A tailor turns cloth into shirts or trousers.

➞ Example: A bakery makes bread from flour and yeast.

b) Distribution

Getting goods from where they are made to where people want to buy them.

➞ Example: Trucks carry sugar from a factory to shops.

➞ Example: Deliveries from online sellers to customers.

c) Exchange

Buying and selling goods and services.

➞ Example: You buy a soda from a shop.

➞ Example: A customer pays for mobile data from a telecom shop.

d) Consumption

Using goods and services to satisfy needs and wants.

➞ Example: Eating food to satisfy hunger.

➞ Example: Using a phone for communication.

Why Businesses Exist (Purpose of Business)

Businesses are important for many reasons:

◆ To Earn Profit

They sell goods/services at a higher price than the cost to make them.

➞ Example: A shop buys rice at Tsh 8,000 and sells at Tsh 10,000.

◆ To Provide Goods & Services

➞ Example: A bakery provides bread; a hair salon offers haircuts.

◆ To Create Jobs

➞ Example: A restaurant employs cooks and waiters.

◆ To Encourage Innovation

➞ Example: A tech company creating a new app to make mobile payments easy.

◆ To Help the Economy Grow

➞ Example: Building roads and bridges increases trade and movement.

Terminologies used in Business

These terms help you understand business better:

◈ Needs and Wants

- **Needs** – Essentials you must have for living (food, water, shelter). Example: Food to eat and Clean water to drink.
- **Wants** – Things that make life better but aren't essential for living. Example: Stylish watch, car and smart tv.

◈ Goods and Services

- **Goods** – Physical things that satisfy people's needs and wants like shoes, phones, gas, air, basket, car, bread etc.
- **Services** – Valuable activities, actions or effort that satisfy people's needs and wants like banking services, haircuts, teaching, transport, communication etc.

Types of Goods

Free Goods and Economic Goods

Free Goods

These are goods that are **available freely in nature** and **do not require payment**.

- Examples: air, sunlight, rainwater.
  ☞ You do not pay to breathe air.

Economic Goods

These are goods that are **scarce** and **must be paid for**.

- Examples: food, clothes, books, car, computer.
  ☞ You must pay to get and use a smart phone.

Consumer Goods and Producer Goods

Consumer Goods

These are goods **used directly by consumers** to satisfy wants.

- Examples: food, shoes, soap, phones.
  ☞ Bread eaten at home is a consumer good.

Producer Goods

These are goods **used to produce other goods**.

- Examples: machines, tools, tractors, factory equipment.
  ☞ A sewing machine used to make clothes is a producer good.

Perishable Goods and Durable Goods

Perishable Goods

These are goods that **get spoiled easily** and cannot last long.

- Examples: milk, fruits, vegetables, meat.
  ☞ Milk goes bad if not used quickly.

Durable Goods

These are goods that **last for a long time**.

- Examples: furniture, cars, televisions, refrigerators.
  ☞ A chair can be used for many years.

Merit Goods and Demerit Goods

Merit Goods

These are goods that are **good for people and society** and are often encouraged by the government.

- Examples: education, health services, clean water, vaccination.
  ☞ Education helps individuals and the nation.

Demerit Goods

These are goods that are **harmful to people and society** and are often discouraged.

- Examples: alcohol, cigarettes, drugs.
  ☞ Smoking causes health problems.

◆ Resources (Factors of Production)

Resources are the inputs used to produce outputs (goods and services). These also called factors of production. These are:

- **Land** – natural resources (land, trees).
- **Labour** – people's work (factory workers).
- **Capital** – man-made resources (machines).
- **Entrepreneurship** – the ability to organize other factors.

◆ Scarcity

Scarcity means that resources are **limited**, but human wants are **unlimited**.

Examples:

- You have **limited pocket money**, but you want snacks, clothes, and a movie ticket.
- There is **limited water**, but many people need it for drinking, farming, and washing.
- A farmer has **limited land**, so he cannot grow every crop.

☞ Because resources are limited, we must make choices.

◆ Opportunity Cost

Opportunity cost is the **next best thing you give up** when you make a choice.

Examples:

- If you spend money on a **new phone**, the opportunity cost is **not buying new shoes**.

- If a student chooses to **watch a movie**, the opportunity cost is **time not spent studying**.
- If a farmer grows **wheat instead of rice**, the opportunity cost is the **rice he did not grow**.

In Simple Words

- **Scarcity** forces us to choose.
- **Opportunity cost** tells us what we lose by choosing one option over another.

Both concepts help us make **better decisions in daily life and business**.

The Concept of Business Studies

Business studies is the study of how business work in real world. It is the subject that teaches on how business is started and managed successfully to satisfy human needs and wants.

Examples:

How to start a small retail shop

How to attract customers

How to keep business records

How to identify business opportunities

How to expand a business

How to employ people in the business etc

Scope of Business Studies

The scope of business studies is wide and covers all major activities involved in running a business. The following are some basic components/aspects/elements/branches of business studies.

Entrepreneurship focuses on identifying business opportunities, taking risks, starting new business ventures, innovation, and wealth creation.

Economics deals with how resources are produced, distributed, and consumed. It helps businesses understand demand, supply, pricing, competition, and the impact of government policies.

Accounting involves recording, classifying, and summarizing financial transactions to know the financial position and performance of a business.

Finance deals with managing money, including raising funds, budgeting, investment decisions, and efficient use of financial resources.

Human resource management deals with managing people in the business. It includes recruitments, training, employee motivation and performance appraisal.

Marketing focuses on identifying customer needs and satisfying them through product development, pricing, promotion, and distribution.

Business Management involves planning, organizing, staffing, directing, and controlling business activities to achieve organizational goals.

Information technology and e-business deals with the roles of information and communication technology in business operation. It includes e-commerce and digital marketing.

Business Law provides the legal framework for business operations, covering contracts, company law, consumer protection, and employee rights.

Overall, the scope of business studies is comprehensive, as it integrates economic, financial, managerial, legal, and entrepreneurial aspects to ensure the successful running of businesses.

The Importance of Studying Business Studies (Why You Should Study Business Studies)

Studying Business is very useful because it teaches:

Entrepreneurship Skills

➞ Example: You learn how to start your own shop or online business.

Financial Skills

➞ Example: Budgeting your money and planning expenses.

Problem Solving

➞ Example: Solving customer complaints in a shop.

Career Opportunities

➞ Example: Work in marketing, finance, or start your own business.

Communication & Teamwork Skills

➞ Example: Talking to customers or working with colleagues.

The relationship between Business Studies and other subjects

Business studies connects with many subjects because every field needs **planning, money management, communication and decision-making**. Whether it is farming, music, language, or mathematics, business studies help turn skills into **successful business and careers.**

Business Studies and Agriculture

Business studies helps farmers treat farming as a business.

- A farmer decides **what crops to grow** based on market demand (marketing).
- He **calculates costs and profit** from seeds, fertilizer, and sales (accounting).
- He finds **better ways to sell produce** in markets or online (entrepreneurship).

  ☞ Example: A tomato farmer packaging tomatoes and supplying to supermarkets is applying business studies.

Business Studies and Theatre & Music

Theatre and music become successful when managed like a business.

- Artists need **promotion and branding** to attract audiences (marketing).
- Ticket pricing and event budgeting require **financial planning** (finance).
- Managing shows, rehearsals, and contracts uses **management and business law**.

  ☞ Example: A music concert organizer selling tickets and managing performers is using business studies.

Business Studies and Language Subjects

Language is essential for communication in business.

- Writing **business letters, emails, and reports** needs good language skills.
- Advertising and sales depend on **persuasive language**.
- Negotiations and presentations require **clear speaking skills**.

  ☞ Example: A salesperson convincing customers through clear communication uses both language and business studies.

Business Studies and Mathematics

Mathematics helps in making accurate business decisions.

- Calculating **profit, loss, interest, and discounts** uses math.

- Preparing budgets, sales forecasts, and stock records depends on calculations.
- Graphs and statistics help analyze business performance.

  ☞ Example: A shopkeeper calculating daily profit applies mathematics in business.

REVISION QUESTIONS

SECTION A: Real-Life Understanding Questions

1. A student sells cold water at school during break time.
   a) Is this a business?
   b) Give two reasons for your answer.
2. Mama Asha cooks food at home and sells it to neighbors every evening.
   - Identify **two business activities** involved in her work.
3. Your father repairs bicycles in your village and charges customers.
   - Is this a **good or a service**? Explain why.
4. A farmer grows maize only for his family to eat.
   - Does this activity qualify as a business? Give one reason.
5. Why is a **shopkeeper** different from a **consumer**?
   Use real examples from your area.

SECTION B: Business Processes (Real Situations)

6. Match each activity with the correct business process:
(Production, Distribution, Exchange, Consumption)

a) A truck takes sugar from the factory to shops
b) A tailor makes school uniforms
c) You buy bread from a bakery
d) A family eats rice for supper

7. Explain how **production** happens in a local bakery near your school.

8. Describe one example of **distribution** you have personally seen.

9. Why is **exchange** important for both buyers and sellers? Give one real example.

10. What happens if goods are produced but not **consumed**? Explain using a real-life situation.

SECTION C: Needs, Wants, Goods and Services

11. Identify whether each item is a **need** or a **want**:

- a) School uniform
- b) Smartphone
- c) Clean water
- d) Television

12. Give **two goods** and **two services** found in your community.

13. Why are needs more important than wants? Use an example from a student life.

14. A student chooses to buy snacks instead of exercise books.

    - Is this a wise business decision? Why?

SECTION D: Factors of Production (Real Life)

15. Identify the **factor of production** used in each case:

a) A teacher teaching students
b) Money used to buy sewing machines
c) A piece of land where a shop is built
d) A person who starts and manages a business

16. Explain how **labour** contributes to success of a small shop.

17. Why is **capital** important in starting a business?
Give one example.

18. A woman borrows money, opens a shop, and employs workers.

Which factor of production best describes her role? Explain.

SECTION E: Importance of Business (Life-Based)

19. How does business help:

- a) Students
- b) Families
- c) The nation

20. Explain how a small business can help reduce unemployment in your area.

21. Why would life be difficult if there were no businesses?
Give two real reasons.

22. Mention **two businesses** found near your school and explain how they help students.

SECTION F: CBC Competence-Based (Think & Apply)

23. You are given Tsh 5,000 to start a small business at school.

- a) What business would you start?
- b) What goods or services would you offer?
- c) Who would be your customers?

24. Your friend wants to start a business but fears failure.

Give **two reasons** why studying Business Studies is important for him.

Suggest **one simple business idea** a Form One student can start at home and explain why.

Short Oral / Group Discussion Questions

- Why do some small businesses fail in real life?
- Is profit the only reason for doing business?
- Should students learn business early? Why?

TOPIC TWO: ENTREPRENEURSHIP

What Is Entrepreneurship?

Entrepreneurship is the ability and willingness of a person to **identify business opportunities**, **take risks**, **organize resources**, and **start and manage a business** with the aim of making profit.

In simple words:

☞ Entrepreneurship means **starting and running a business by yourself**.

Examples:

- A student selling **sambusa or maandazi** after school.
- A woman opening a **vegetable stall** at the market.
- A youth starting **phone charging services** in a village.
- A person opening a **barbershop** in his home area.

Meaning of an Entrepreneur

An **entrepreneur** is a person who **starts, owns and manages a business**, takes risks, and makes business decisions.

Simple explanation:

☞ An entrepreneur is the **boss of the business**.

Examples:

- The owner of a **shop** or **duka**.
- A farmer who grows crops and sells them.

- A tailor who owns a sewing machine and makes clothes for customers.

Characteristics (Qualities) of Entrepreneurs

A good entrepreneur has the following qualities:

1. Risk Taking

- Ready to face loss or failure.
- Example: A student uses pocket money to start selling snacks.

2. Hardworking

- Works long hours.
- Example: A shopkeeper opening early and closing late.

3. Creative and Innovative

- Comes up with new ideas.
- Example: Selling flavored popcorn instead of plain one.

4. Self-confidence

- Believes in himself/herself.
- Example: Starting a business even when others doubt.

5. Decision Making

- Chooses what to produce or sell and how.
- Example: Deciding to change business location.

6. Goal Oriented (Vision)

- Has clear vision and objectives.
- Example: Planning to expand a kiosk into a big shop.

The Relationship between invention, innovation and creativity

1. Creativity (Thinking NEW ideas)

Creativity is the **ability to imagine or think of something new**.

Example:
A student thinks, *"What if a school bag could charge a phone using sunlight?"* → That idea is **creativity**.

2. Invention (Creating something NEW)

Invention is when you **turn a new idea into a real product or thing for the first time**.

Example:
Someone actually makes the **first solar-charging school bag** → That is **invention**.

(Other examples: First airplane, first telephone, first light bulb)

3. Innovation (Improving or using it BETTER)

Innovation is when you **improve an invention or use it in a better, smarter or more useful way**.

Example:
A company improves the solar bag → lighter, faster charging, cheaper, waterproof → That is **innovation**.

(Other examples: Smartphones improved from old phones, electric cars improved from diesel and petrol cars)

The Relationship (How they connect)

Creativity → Invention → Innovation

- Creativity gives the **idea**
- Invention makes the **first real product**
- Innovation **improves and spreads** it

Simple Real-Life Example

- Creativity: Someone imagines flying like a bird
- Invention: Wright brothers make the first airplane
- Innovation: Today we have fast, safe, modern airplanes (Boeing and Airbus)

In short:

Creativity produces ideas, invention creates the first new thing, and innovation makes it better and more useful.

Functions (Roles) of an Entrepreneur

An entrepreneur performs the following roles:

1. **Identifying Business Opportunities**
   Example: Seeing many students need stationery.

2. **Organizing Factors of Production**
   (Land, labour, capital)
   Example: Renting a place, buying stock, employing a worker.
3. **Bearing Risks**
   Example: Loss due to unsold goods.
4. **Decision Making**
   Example: Setting prices of goods.
5. **Managing the Business**
   Example: Keeping records and supervising workers.

Importance of Entrepreneurship

Entrepreneurship is important because it:

1. Creates Employment

- Entrepreneurs employ themselves and others.
- Example: A salon employing hairdressers.

2. Reduces Poverty

- People earn income.
- Example: Small businesses supporting families.

3. Promotes Economic Growth

- Businesses pay taxes.
- Example: Shops contributing to government revenue.

4. Encourages Innovation

- New products and services.
- Example: Mobile money services.

5. Improves Living Standards

- People can afford better life.
- Example: Paying school fees from business income.

Challenges Faced by Entrepreneurs

1. **Lack of Capital**
    - Not enough money to start or expand the business
2. **High Competition**
    - Many businesses selling same goods in the same area
3. **Lack of Skills**
    - Poor record keeping or management of the business
4. **Unreliable Customers**
    - Customers buying on credit creating more debts
5. **Government Regulations**
    - Taxes and licenses creating high operating costs

Types of Entrepreneurship

1. Business Entrepreneurship

Meaning: This is the most common type — it involves starting and running a business with the main aim of **earning profit**.

Examples:

- Opening a **small grocery store (duka)** in your village.
- A **barber** who cuts hair and earns money.
- A youth selling **cooked food or snacks** after school.

Key point:

☞ The focus is on **opportunity, profit, and risk** — the entrepreneur sees what people need and provides it.

2. Intrapreneurship / Corporate Entrepreneurship

Meaning: This is entrepreneurship within a **large organization or company**. The person acts like an entrepreneur but inside an existing business.

Examples:

- A worker in a big shop who helps the business **introduce mobile money pay options**.
- A manager in a company who develops a **new service** to attract customers, like delivery services.

Key point:

☞ Intrapreneurs **don't own the business**, but they **create value and improvements** within it.

3. Social Entrepreneurship

Meaning: Focuses on creating **solutions to social problems**, not just to make profit. The aim is to **improve people's lives or the community**.

Examples:

- A youth group that starts **low-cost solar lights** for children to study at night.

- A business collecting **plastic waste** and turning it into products (like eco-bricks).
- A community savings group that helps **poor families to get micro-loans**.

Key point:

☞ Profit may be part of it, but the **main goal is to benefit society**.

The Meaning of Entrepreneur and Intrapreneur

Entrepreneur

A person who **starts and owns his/her own business** and takes risk to make profit.
Example: A person opens his own bakery shop using his own money.

Intrapreneur

A person who **creates new ideas or improvements inside someone else's company** without owning it.
Example: An employee at Coca-Cola creates a new drink flavor for the company.

Entrepreneurial skills

1. Business Management Skills (Running the business)

These skills used to plan, manage and grow a business.

Main categories with examples:

- **Planning skill** – Setting goals and how to achieve them.
  Example: A tailor plans to sew 20 uniforms before school opens.
- **Financial (money) skill** – Managing income and expenses wisely.
  Example: A shop owner avoids wasting money and saves profit.
- **Marketing & selling skill** – Attracting customers and selling products.
  Example: A food vendor advertises on WhatsApp and offers discounts.
- **Decision-making skill** – Choosing the best option.
  Example: A trader decides to sell fast-moving goods instead of slow ones.

2. Leadership Skills (Leading people)

These skills needed for guiding, influencing, and directing others.

Main categories with examples:

- **Communication** – Giving clear instructions.
  Example: A manager clearly explains daily tasks to workers.
- **Motivation** – Encouraging people to work hard.
  Example: A business owner rewards best worker of the month.
- **Problem solving** – Finding solutions.
  Example: A leader settles conflict between two employees.

- **Responsibility** – Being accountable.
  Example: Owner takes responsibility when business makes loss.

3. Interpersonal Skills (Dealing with others)

These skills needed for building good relationships with people.

Main categories with examples:

- **Good communication skills** – Speaking and listening well.
  Example: Seller politely listens to customer needs.
- **Teamwork skills** – Working well with others.
  Example: Workers cooperate to finish an order on time.
- **Negotiation skills** – Reaching agreement.
  Example: Buyer and seller agree on a fair price.
- **Customer care skills** – Treating customers well.
  Example: Shopkeeper greets customers warmly and helps them.

4. Intrapersonal Skills (Managing yourself)

These skills needed for controlling your own behavior and mindset.

Main categories with examples:

- **Self-confidence** – Believing in yourself.
  Example: Entrepreneur starts business without fear.
- **Discipline & time management** – Using time properly.
  Example: Baker wakes early every day to prepare bread.
- **Patience & persistence** – Not giving up.
  Example: Trader continues even after small losses.

- **Creativity & positive thinking** – Generating new ideas. *Example:* Designer creates new fashion styles to attract customers.

In very short

- **Business skills** → Manage the business
- **Leadership skills** → Guide people
- **Interpersonal skills** → Relate with others
- **Intrapersonal skills** → Control yourself

Theories of Entrepreneurship

These are ideas that explains **why people become entrepreneurs and how entrepreneurship works**.
The following are some of those theories:

1. Innovation Theory

- **Founder:** Professor Joseph Schumpeter
- **Idea:** Entrepreneurs succeed by introducing **new ideas, products or ways of doing things**.
- **Example:** A tailor who designs unique clothing styles that attract customers; a youth who creates a new way to deliver groceries.

  ☞ Entrepreneurship is all about **change and creativity**.

2. Need Achievement Theory

- **Founder:** Professor David McClelland
- **Idea:** People with a **strong desire to achieve and succeed** are more likely to become entrepreneurs.

- **Example:** A student who saves pocket money to buy stock and starts selling juice because he wants to succeed.

  ☞ These entrepreneurs are **goal-oriented and hardworking**.

3. Theory of Status Withdrawal

- **Founder:** Everett E. Hagen
- **Idea:** Some people become entrepreneurs when they feel **unhappy or lose status in society** (for example after losing a job). They start businesses to **regain respect and purpose**.
- **Example:** A laid-off factory worker starts a successful farm business.

  ☞ Entrepreneurship becomes a way to **change one's life situation**.

4. Economic Theory of Entrepreneurship

- **Founders:** Papanek and Harris
- **Idea:** Good **economic conditions** encourage entrepreneurship. Entrepreneurs are motivated by things like access to money (capital), high demand for products, and supportive government policies.
- **Example:** A rising market demand for mobile phones motivates someone to open a phone accessories shop.

  ☞ Entrepreneurship depends on the **economic environment** too.

5. Risk Bearing Theory

- **Founder:** Richard Cantillon
- **Idea:** Entrepreneurs are those who **take risks** — they invest money even when outcomes are uncertain. They earn **profit as a reward for taking risk**.
- **Example:** Starting a restaurant even when you don't know if customers will come every day.

  ☞ Profit is seen as the **reward for risk taking**.

REAL-LIFE EXAMPLES FOR EACH THEORY

Theory	Simple Example
Innovation	A youth invents a new type of energy-saving stove.
Need Achievement	A student sells snacks because he wants to earn and succeed.
Status Withdrawal	An unemployed person starts a tailoring business.
Economic Theory	Someone opens a mobile shop because many people now need phones.
Risk Bearing	A cooker buys ingredients before knowing if people will buy his food.

REVISION QUESTIONS

SECTION A: Basic Understanding

1. List the **three types of entrepreneurship** found in Tanzania.
2. What is **business entrepreneurship**? Give a real-life example.
3. Explain **social entrepreneurship** with an example from your community.

SECTION B: Intrapreneurship & Real Life

4. How is **intrapreneurship** different from business entrepreneurship?
5. Give one example of intrapreneurship in a large shop or company.

SECTION C: Theories of Entrepreneurship – Short Answers

6. What does the **Innovation Theory** say about entrepreneurs?
7. Why might someone become an entrepreneur according to the **Need Achievement Theory**?
8. Explain the **Risk Bearing Theory** with a real-life business example.

SECTION D: Apply Your Knowledge

9. Joseph identifies that people need cheap internet access.
    - a) Which type of entrepreneurship could he start?

- b) Which theory supports his decision to start the business?

10. A woman loses her job and starts a tailoring service to support her family.
    - Which theory explains her entrepreneurship?

MORE REVISION QUESTIONS

SECTION A: Understanding Questions

1. Define **entrepreneurship** in your own words.
2. Who is an entrepreneur?
   Give one example from your community.
3. Why is an entrepreneur called a **risk taker**?

SECTION B: Characteristics (Real Life)

4. Mention **three qualities** of a good entrepreneur.
5. A student starts selling ice pops during hot season.
    - Which entrepreneurial quality is shown? Explain.
6. Why is self-confidence important to an entrepreneur?

SECTION C: Functions of an Entrepreneur

7. Identify the function of an entrepreneur in each case:
    - a) Choosing where to locate a business
    - b) Buying tools and materials
    - c) Accepting loss after goods spoil
8. Explain how an entrepreneur organizes factors of production using an example.

SECTION D: Importance of Entrepreneurship

9. How does entrepreneurship help to reduce unemployment?

10. Mention **two ways** entrepreneurship helps national development.

11. Why is entrepreneurship important to students?

SECTION E: Challenges (Life-Based)

12. Mention **three challenges** faced by small entrepreneurs.

13. How can lack of capital affect a business?

14. Suggest one solution to reduce business competition.

SECTION F: CBC Apply & Think

15. You are given Tsh 10,000 to start a small business.

- a) What business will you start?
- b) What risks may you face?

16. A student fails in business and wants to quit.

- Advise him using two entrepreneurial qualities.

17. Why should young people learn entrepreneurship early?

BONUS: Oral / Group Discussion

- Can everyone become an entrepreneur? Discuss.
- Is profit the only goal of entrepreneurship?

TOPIC THREE: SOLE PROPRIETORSHIP

Meaning of Sole Proprietorship

Sole proprietorship is a **type of business owned, managed, and controlled by one person**, called the **sole proprietor**. That person makes all decisions, uses their own money for capital, and enjoys all profits or bears all losses.

Simple explanation:

☞ It is the **most basic and common form of business** where one person runs everything.

Examples:

- A youth selling **mandazi or chips** at a roadside stall.
- A **barber** who owns and runs their own salon.
- A person selling **fresh fruits** at the market.
- A small **mobile-phone charging point** in a village.

Features (Characteristics) of Sole Proprietorship

A sole proprietorship has the following **important features**:

Single Owner

Only **one person owns, manages, and controls the business**.
Real life: Salim runs a small grocery shop alone.

Small Capital

The owner provides **most or all of the money needed to start** the business.
Example: A Vitumbua seller uses personal savings to buy ingredients.

Unlimited Liability

The owner is **personally responsible** for all business debts. If the business cannot pay, the owner's personal things (like a phone or bicycle) may be used.

All Profits to Owner

All profit earned belongs **only to the owner**.
Example: The profit from selling chapati goes to the sole proprietor only.

Complete Control

The owner makes **all decisions quickly**.

Flexible Business

The owner can **change products, prices, or location easily**.
Example: Moving a small stall closer to the school entrance to get more customers.

Direct Customer Contact

The proprietor knows customers personally and can serve their needs better.

Advantages of Sole Proprietorship

Easy to Start

No complicated procedures — just register and start selling.

Flexible Decisions

One person makes decisions fast.

Owner Keeps All Profit

No sharing — all gains go to the owner.

Close Customer Relations

The owner knows customers well and understands their needs.

Low Start-up Costs

Usually the capital needed is **small and manageable**.

Disadvantages (Drawbacks) of Sole Proprietorship

Unlimited Liability

If the business fails, the owner may lose personal belongings to pay debts.

Limited Capital

Because it depends on one person’s money, expansion can be hard.

Overwork

The owner does almost everything — selling, buying, and managing.

Uncertain Continuity

If the owner dies or becomes sick, the business may close.

Limited Skills

The proprietor may lack skills in finance, marketing, or record-keeping.

Formation (How to Start a Sole Proprietorship)

To start this business you typically need:

1. **Raise capital** (your savings or borrowed funds).
2. **Apply for a trading license** from the local government (pay a small fee).
3. **Start operating** — set up shop and begin selling.

Example:

A youth uses Tsh 50,000 of personal savings to buy sugar, flour, and oil to start a **chapati stall**, pays for the trading license at the ward office, and starts business.

Dissolution (Ending the Business)

A sole proprietorship may end when:

- The owner **dies or becomes mentally ill**.

- The owner **decides to close** the business.
- The owner becomes **bankrupt** (cannot pay debts).
- A **law bans** the business activity.

Ways of solving challenges facing sole proprietorship

1. Problem: Lack of Capital

Solutions:

- **Personal saving** before starting the business
- **Joining SACCOS / VIKOBA / saving groups**
- **Borrow small loans** from microfinance institutions
- **Start small and grow slowly**

Example:

A mandazi seller saves daily profit and later buys a bigger frying pan to increase production.

2. Problem: Unlimited Liability

Solutions:

- **Avoid unnecessary borrowing**
- **Insure business assets**
- **Keep business risks low**
- **Separate personal and business money**

Example:

A shop owner avoids taking large loans and keeps business cash separate from home expenses.

3. Problem: Overworking (Owner Does Everything)

Solutions:

- **Employ one helper** when possible
- **Use simple technology** (calculator, mobile apps)
- **Plan daily activities properly**

Example:

A kiosk owner employs a student during weekends to help serve customers.

4. Problem: Limited Skills and Knowledge

Solutions:

- **Attend short business training**
- **Learn from experienced entrepreneurs**
- **Use simple record-keeping books**
- **Read business notes and guides**

Example:

A vegetable seller learns record keeping from a local entrepreneur and reduces losses.

5. Problem: Poor Record Keeping

Solutions:

- **Keep simple daily records** (sales, expenses, profit)
- **Use exercise books or mobile apps**
- **Review records weekly**

Example:

A food vendor records daily sales and notices which food sells most.

6. Problem: High Competition

Solutions:

- **Offer better customer service**
- **Sell unique or better-quality goods**
- **Reduce prices slightly**
- **Choose a good business location**

Example:

A barber attracts customers by being polite and offering clean service.

7. Problem: Uncertain Continuity (Business Ends if Owner Is Sick or Dies)

Solutions:

- **Train a family member or assistant**
- **Write simple business procedures**
- **Save profits for emergencies**

Example:

A shop owner trains his wife to run the shop when he is away.

8. Problem: Lack of Trust from Customers (Credit Sales)

Solutions:

- **Reduce selling on credit**
- **Record credit customers clearly**
- **Encourage cash or mobile money payments**

Example:

A shop owner stops selling on credit after many customers fail to pay.

QUICK REVISION SUMMARY

Challenge	Solution
Lack of capital	Savings, loans, SACCOS
Unlimited liability	Avoid big risks, insure
Overworking	Employ helper, plan
Poor skills	Training, learning
Poor records	Keep simple records
Competition	Good service, quality
Business closure	Train assistant

REVISION QUESTIONS

SECTION A: Understanding Concepts

1. Define **sole proprietorship** in your own words and give one real-life example from your community.
2. Identify **two features** of a sole proprietorship with examples.

3. What is meant by **unlimited liability**? Use an example to explain.

SECTION B: Advantages & Disadvantages

4. Mention **three advantages** of operating a sole proprietorship.
5. Why might a sole proprietor find it difficult to expand the business? Explain.
6. A sole proprietor works long hours every day.
    - Explain why this happens in sole proprietorship.

SECTION C: Formation & Real Situations

7. List **two steps** a person must take to start a sole proprietorship.
8. John wants to start selling soft drinks at school. What business form should he choose and why?
9. A sole proprietor closed his fruit stall after falling sick.
    - What factor might have contributed to this situation?

SECTION D: Apply & Think (CBC-style)

10..You have Tsh 30,000. Suggest a **sole proprietorship business** you can start and explain three reasons why it suits this form.

11..How can a sole proprietor build close relationships with customers? Give two examples.

12..What are **two challenges** faced by sole proprietors and how can they be solved?

12..Mention **three challenges** facing sole proprietorship.

14..Explain **two solutions** to lack of capital in sole proprietorship.

15..How can a sole proprietor reduce the problem of unlimited liability?

16..Why is record keeping important in sole proprietorship?